Losses of Public Sector Banks

1712. DR. Y. LAKSHMI PRASAD: Will the Minister of FINANCE be pleased to state:

(a) whether balance sheet of public sector banks for 1995-96 show huge loss in contrast to Rs. 1116 crores profit in 1994-95; and

(b) if so, the reasons therefor and the concrete measures proposed to ensure that the banking sector accrues profit and the futrue of investors are secured?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR): (a) The public sector banks have incurred a net loss of Rs. 371.36 crores during the year 1995-96 as against a net profit of Rs. 1115.8 crores during 1994-95.

(b) According to Reserve Bank of India (RBI) the following are the major reasons for the losses of the public sector banks during 1995-96:

(1) provisioning towards Non performing assets for the year 1995-96 and additional provisioning on account of short provisioning for NPAs made in the earlier years;

(2) increased provisions towards depreciation on investments; and

(3) payment of wage arrears arising from revision of pay scales. RBI/ Government have taken various steps to improve the overall functioning of banks which wi'l lead to higher profitability and security for the depositors and investors. Banks have been advised, inter-alia, to increase low cost deposits, reduce overhead expenditure, improve organisational set-up, improve the productivity level inclusing mechanisation in key/ selective areas and containment of staff, human resource development, improve house keeping and internal control, strengthening pre and post credit supervision and vigilance machinery, improve the quality of assets profit planning and improvement in profit level etc. The loss making banks have been advised to contain credit expansion, capital expenditure, recruitment of staff, branch expansion etc.

Investment of Money Deposited in Nationalised Banks on State/National Level Projects

1713. SHRI GOPALSINH G. SOLANKI: Will the Minister of FINANCE be pleased to state:

(a) whether more than eighteen percent of the money deposited in nationalised banks in Gujarat is invested in the State, while thirty two percent is invested on projects of national level;

(b) the detailed positions in regard thereto, State-wise, particularly in Madhya Pradesh and Gujarat; and

(c) the steps being taken or proposed to be taken in order to bring Gujarat, Madhya Pradesh and other States at par with national level and to improve the situation in the country as a whole?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. P. VEERENDRA KUMAR): (a) to (c) The aggregate deposits and gross bank credit of nationalised banks in Madhya Pradesh and Gujarat as on the last Friday of March 1996, as reported by Reserve Bank of India (RBI) are given below:—

(Rs. in lakh)

	Aggregate Deposits	Credit
Madhya Pradesh	8191,06	4088,13
Gujarat	17669,95	8196,04

The Credit Deposit Ratio (CDR) in a particular State or Region depends not only on the efforts made by the banks but various other factors including the credit absorption capacity, infrastructural support and overall policy framework in the State. The State-wise details of CDR (including Madhya Pradesh and Gujarat) as on the last Friday of March 1996 is given in the enclosed Statement. (*see* below)

The Reserve Bank of India had set up Task Forces to ascertain the reasons for

low CD Ratio in some of the States. In order to improve the credit absorption capacity, the Task Forces, in general stressed the need for improving infrastructural facilities, consolidation of land holdings, development of markets, early detection and rehabilitation of sick industrial units, land development, promotion of small scale industires, financing of minor irrigation schemes and allied activities. In respect of States/ Union Territories where CD Ratio is low and at the same time, specific Task Forces have not been constituted, the convernor banks of State Level Bankers' Committees (SLBCs) have been advised by RBI to convene special meetings to discuss and take the appropriate steps to imporve the position.

Statement

Credit-Deposit Ratio for Nationalised Banks as on the last Friday of March 1996

State/Union Territory	Credit:Deposit Ratio (%)
Haryana	42.0
Himachal Pradesh	25.6
Jammu & Kashmir	23.4
Punjab	39.9
Rajasthan	48.9
Delhi	44.5
Delhi	50.8
Arunachal Pradesh	16.5
Assam	41.3
Manipur	73.9
Meghalaya	13.7
Mizoram	17.7
Nagaland	25.7
Tripura	38.2
Bihar	28.9
Orissa	51.0
Sikkim	14.0
West Bengal	47.5
Andaman & Nicobar Island	19.1
Madhya Pradesh	49.9
Uttar Pradesh	32.1
Goa	25.6
Gujarat	46.4
Maharashtra	78.1
Dadra & Nagar Haveli	22.0
Daman & Diu	22.3
Andhra Pradesh	75.0
Karnataka	60.6
Kerala	40.0
Tamil Nadu	85.1
Lakshadweep	9.6
Pondicherry	44.3
ALL INDIA	54.2

Claims of GIC Regarding Motor and Health Insurance Cases

1714. SHRI AMAR SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that insurance claims of GIC and its subsidiaries in regard to their motor and health insurance cases are much more than the premium collected by these companies and if so, what are the reasons therefor; and

(b) whether Government propose to reduce this massive gap between premium and claims and make the premium structure more realistic and if so, the details thereof and by when it is proposed to be finalised?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR): (a) and (b) The insurance premium structure for various types of vehicles was last revised by the Tariff Advisory Committee (TAC), which is a statutory body, w.e.f. 1.4.1990. However, w.e.f. 14.11.1994, the Motor Vehicles Act, 1988 was amended introducing 'Structured Compensation Formula' based on the age group and income of the victim with the help of a multiplier; steeply augmenting the amount of compensation payable to road accident victims on principle of 'no fault liability' and also for 'Hit and Run' cases. After these amendments in the law, the insurance companies are required to pay substantially higher compensation in court cases. As a result, the earlier tariff revision could not contain the adverse claim ratio experienced by the general